
NOTE 18 – RISK MANAGEMENT

A. County government

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The identification and analysis of exposures to risk, implementation of risk control techniques, and utilization of appropriate risk financing alternatives accomplish management of these risks.

The County Government is a member of the Virginia Municipal League (VML) insurance programs for its property, automobile, liability, public officials, and workers' compensation coverage. VML insurance programs consist of two separate self-insurance programs, the Virginia Municipal Liability Pool and the Virginia Municipal Group Self Insurance Association. These pools are non-profit, tax-exempt associations.

The County carries commercial insurance for all other risks of loss, including airport liability, and accident/health insurance coverage for auxiliary deputies. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

B. School Board component

The School Board is a member of the Virginia Association of Counties Risk Pool (VACorp) for its property, automobile, and liability coverage.

The School Board workers' compensation insurance is provided by the School Systems of Virginia Group Self Insurance Association. Section 65.1-104.2 of the *Code of Virginia* authorizes employers with a common interest to pool their liabilities under the Virginia Workers' Compensation Act.

The public officials liability coverage is provided through the Commonwealth of Virginia – VA Risk2 program. The School Board carries commercial insurance for the athletic accident policy and each high school is a member of the Virginia High School League for liability catastrophe insurance.

In the event the pool(s), VML and/or VACorp, incur a loss deficit and depletion of all available excess insurance, the pool(s) may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

C. Fire and Rescue Association component

The Fire and Rescue Association (Association) contract administration is handled through the Risk Management Division. The Association carries commercial insurance for the property, automobile, and liability coverage. Companion covers the workers' compensation policy and Provident carries the accident & sickness policy.

D. Health benefit program component

The County is self-insured for medical and dental coverage for County and School employees. Anthem is the administrator of the group medical and dental insurance programs.

The group medical and dental insurance programs for the County Government and Public Schools are combined into one overall funding program. The program includes a specific stop loss of \$150,000 for fiscal year 2005 and a maximum aggregate liability of 125.00% of Anthem's estimated liability. Each participating agency is responsible for paying the amount of actual expense incurred. This combined group plan went into effect October 1994.

Liabilities for unpaid claims and claim adjustment expenses are estimated based on the estimated ultimate cost of settling the claims, including the effects of trend factors including inflation and other societal and economic factors.

NOTE 18 – RISK MANAGEMENT (CONTINUED)

Changes in the balances of claims liabilities during the year are as follows:

	2004	2005
Unpaid claims, beginning July 1, 2004	\$ 1,021,975	\$ 1,175,260
Incurred claims, (including IBNR)	10,300,563	10,637,885
Claim payments	10,147,278	10,566,785
Unpaid claims, ending June 30, 2005	\$ 1,175,260	\$ 1,246,360

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

The Clarke-Fauquier-Frederick-Winchester Jail Board was created in 1987 to construct and operate the Clarke-Fauquier-Frederick-Winchester Regional Adult Detention Center. The Center charges, on a per diem basis, other localities and the Federal Government for their prisoners placed in the jail. The fourteen member board consists of four members each from the County of Frederick and the City of Winchester, and three each from the Counties of Clarke and Fauquier. The County and other participants have no equity interest in the jail. The County made operating contributions for 22.8% of the regional jail's operating expenses, including debt service totaling \$1,061,154 in fiscal year 2005.

NOTE 20 – SURETY BONDS

<u>Fidelity and Deposit Company of Maryland – Surety</u>	<u>Amount</u>
Gail Barb, Clerk of the Circuit Court	\$ 50,000
Elizabeth A. Ledgerton, Treasurer	500,000
Ross D'Urso, Commissioner of the Revenue	3,000
Charlie Ray Fox, Jr., Sheriff	30,000
Above constitutional officers' employees – blanket bond	50,000
Clerk of the School Board	10,000

United States Fidelity and Guaranty Company – Surety

County employees except above Constitutional Offices and School Board employees \$ 100,000

NOTE 21 – COMMITMENTS UNDER NONCAPITALIZED LEASES

The County leases the following property:

<u>Property</u>	<u>Annual Payments</u>
Lee and John Marshall Street, Corner Parking Lot	\$ 6,000
Registrar's Office, John Marshall Building	30,107
Economic Development Office, 35 Culpeper Street	12,000
Tax Reassessor's Office, 183-1 Keith Street	11,820
Commonwealth Attorney Office, 70 Main Street	57,780

All leases are subject to annual appropriation of rental payments.